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**National bureau of
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Title:

A bold experiment

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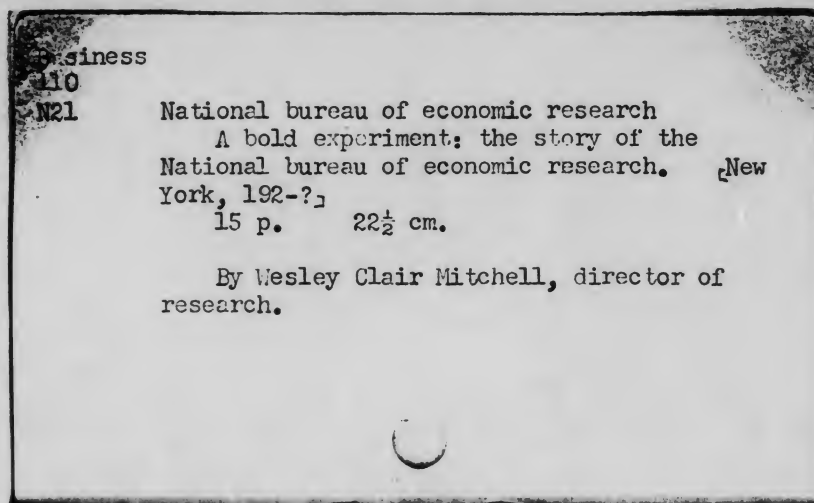
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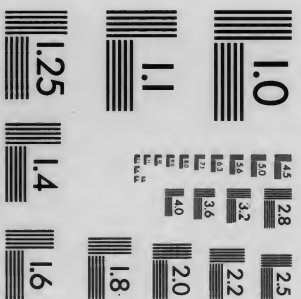
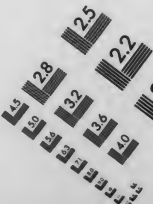


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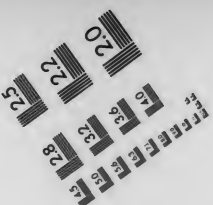
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A-bold-experiment

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N21

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A Bold Experiment

The Story of the
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Foreword

"What the United States and the World need is an impartial organization for statistical research, which will dedicate itself to the discussion and declaration of the truth as to the great economic questions of the day."—DR. ROYAL MEEKE, *International Labor Office, League of Nations, Geneva.*

"It is not to be supposed that men will ever agree in their opinions about all social and industrial policies, but if they can agree upon certain facts, much that is in controversy may be cleared up."—GEORGE E. ROBERTS, *Vice-President, National City Bank of New York, Former Director of the Mint of the United States.*

To meet this demand, the National Bureau of Economic Research was incorporated in New York, January 29, 1920. Its method is quantitative research by a staff under direction of a Board representing every important angle from which social problems are viewed.

Its effort is to reduce economic and industrial problems to definite facts and authoritative figures.

The practical operation of the Bureau, therefore, is a move toward clear thinking in public discussions, in business and in government.

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American Farm Bureau Federation

RESEARCH STAFF:

WESLEY C. MITCHELL
Director.
WILLFORD I. KING
F. R. MACAULAY
OSWALD W. KNAUTH, Secretary.

A BOLD EXPERIMENT

By WESLEY CLAIR MITCHELL
Director of Research

WHEN we met in February, 1921, our organization seemed to us all a promising experiment, but still an experiment of uncertain issue. The plan of bringing together into one Board men who represented so many and such divergent views of public policy, as are here represented, and of asking all these men to unite in assuming responsibility for the publication of such findings as the Bureau's staff might reach, was a very bold plan.

Doubts about
our form of
organization

We hoped that the staff could do work that would commend itself to honest opinion of all shades. We hoped that the Directors could agree upon the facts presented, however they might differ concerning the policies to which these facts pointed. But we could not be sure of success. For the field in which we were working was one that put our organization to a severe test.

The National Income is not a magnitude that can be determined with precision. It must be estimated rather than measured, and in judging estimates personal equations inevitably play a considerable role. Moreover estimates of the size and distribution of the National Income have been subjects of spirited controversy. It would have been by no means surprising had we found ourselves unable to work together in harmony.

Have been dis-
pelled by this
year's success

That we have not failed, that on the contrary all members of the Board accepted the estimates made by the staff, with the exception of one Director who was in Europe and could not read the manuscript, should be a source of pride to every one connected with the Bureau. This agreement shows each of us that we may trust the fair-mindedness of all the others. It justifies us as a Board in facing the future with far more confidence than we could feel a year ago.

Our contribu-
tion to the
working
methods of
democracy

More than that, the success of our enterprise has a large, impersonal significance. Our Bureau is seeking to raise the discussion of public questions to a higher level. We believe that social programs of whatever sort should rest whenever possible on objective knowledge of fact and not on subjective impressions. By putting this faith into practice we are making a contribution to the working methods of intelligent democracy. The practical demonstration we have given that men of otherwise divergent views can unite in the scientific investigation of controverted social facts will give a powerful stimulus to all movements like ours.

II

FROM this general statement concerning the accomplishments of the year I pass to details.

Completion of
the report on
Income in the
United States

The manuscript of the Summary volume on Income in the United States was sent to the printer on September 10th, and the first copies of the book were received early in December. Meanwhile the staff was finishing the manuscripts of Volume II, which of course is far more bulky and which contains a vast amount of laborious detail. The manuscripts of Parts I and II of this volume were put in the printer's hands on December 24th. These parts, prepared respectively by Mr. King and Mr. Knauth, deal with the Estimate by Sources of Production and the Estimate by Incomes Received. Part III written by Mr. Macaulay and dealing with the Distribution of Personal Incomes has just been completed.

May I take this occasion to thank the Directors on behalf of the staff for their help in bettering the original estimates? Aside from their share in assuming joint responsibility for the competence and impartiality of the publications, several of the Directors were able to give the details close scrutiny and to make constructive criticisms.

Active partici-
pation by
Directors in
the work of
the staff

From the staff's point of view this opportunity to call upon a group of friendly critics, possessing a wide range of knowledge, for a review of their work before publication is one of the great advantages of our form of organization.

Of course we were much pleased by the way in which our figures came out. The plan of making two separate estimates of the National Income,

Close agree-
ment between
the two esti-
mates of the
National
Income

quite independently of each other, set up a hard test of the work done by Mr. King and Mr. Knauth. We felt not a little nervous when the day came on which we first cast up the totals by Sources of Production and by Incomes Received. Our President, who has had wide experience in statistical research, told us we should be satisfied if the two estimates did not differ by more than 20 per cent. When the largest discrepancy in any one year proved to be only 7 per cent we felt a marked increase of confidence in our work.

Plan of publication

We have reason to be pleased also by the plan of publication. By issuing a little book that can be sold for \$1.50, and that anyone can read in an evening, we are securing a wide circulation for our chief results. By issuing a second volume giving detailed results, sources, and methods, we provide adequately for the small group of statisticians and economists who are critically interested in work such as we are doing. This plan also makes simple the problem of future publication. We hope to revise our estimates of the National Income for recent years and to add new estimates for later years as the data become available. From time to time we should issue fresh editions of Volume I, giving the latest figures. Probably Volume II need never be republished; but appendices can be inserted in Volume I giving details in such form that the special student can splice them upon the tables now in the printer's hands.

III

WHEN the staff was approaching the completion of their work on income in the United States, the Executive Committee considered what problem should be taken up next. After canvassing several proposals the Committee decided to choose Business Cycles as the topic.

Choice of next subject for investigation

Several reasons justified this decision. First, the subject is one of great importance to all classes in the community. Second, it is a subject in which quantitative methods can be employed to great advantage. Third, while several institutions and individuals are working on certain aspects of this subject the Executive Committee does not know of anyone who is planning a comprehensive survey of the whole. Meanwhile there is a strong demand for a treatise that puts together in concise, systematic, and readily comprehensible form the results of recent researches into the causes, character and consequences of these cyclical oscillations that affect the economic fortunes of everyone. Fourth, the staff of the Bureau seems qualified by past experience and present interest to fill this want. Finally this new undertaking will enable the staff to make effective use of much of the special knowledge they have gained in studying the fluctuations of the National Income.

Reasons for selecting Business Cycles

In this projected work on Business Cycles we expect to begin with two or three special studies of topics that have never been adequately investigated. The magnitude and yearly fluctuations of savings is one such topic; the changes in the effi-

Proposed plan of publication

ciency of labor is a second; and the relation between fluctuations in the current supply of certain staples for which we have good statistics and of the prices at which they sell is a third. Our present expectation is that we shall publish brief monographs on each of these topics and perhaps on others, while we are preparing the systematic treatise. Of course the latter will incorporate our own fresh results along with the results reached by other investigators.

IV

WHILE we were formulating these plans for work on Business Cycles, we were requested by Secretary Hoover to undertake a special job in the public interest. Four members of this Board had served on the Advisory Committee of the President's Conference on Unemployment. Before that Conference adjourned it recommended that an effort be made to frame a practical program for preventing the recurrence or at least mitigating the severity of future periods of widespread unemployment. To supervise this work the Conference appointed a Standing Committee of which Secretary Hoover is Chairman. This Committee recognized that a careful investigation must be made into the cyclical fluctuations in employment and into the merits and defects of various remedies proposed before they attempted to formulate a policy. The Conference on Unemployment had no organization ready to make such an investigation. So Secretary Hoover wrote to our President asking whether the National Bureau of Economic Research would prepare a report on Unemployment and the Business Cycle within six months.

In view of the obvious service that we might thus render to the country and in view of the fact that the topic proposed falls directly in line with the work we had already planned, Mr. Gay, after consulting with other members of the Executive Committee replied that we would undertake the work, provided that our report should be submitted to our own Board of Directors for approval before being

The request for our help made by the President's Conference on Unemployment

Conditions on which the Executive Committee agreed to the request

sent to the Standing Committee of the Unemployment Conference, provided that we should be free to publish our findings separately if we so desired, provided that our work should be confined to ascertaining facts needful to be considered, and provided that money should be found to meet all the increase of expenses which the Bureau would incur in doing this work within the brief time allowed.

These provisos were all acceptable to Mr. Hoover. We planned the work in advance, so that we were able to start active work promptly on February 20th, when funds became available. This undertaking will absorb the Bureau's energies until August 20th, when the report is to be completed.

Preliminary
planning of
the work

In order to get results quickly we asked for the cooperation of several other agencies, notably the Russell Sage Foundation, the Bureau of Railway Economics and the Federated American Engineering Societies. We have obtained also the services of various individuals who are especially conversant with particular aspects of the subject. By this scheme we hope to avoid duplication of effort and to turn out a well-considered report in a much briefer time than would otherwise be possible. The readiness of other research organizations and investigators to cooperate with us has been most gratifying.

V

Besides the main projects with which I have dealt, the staff has done various minor pieces of work growing out of the investigation into the National Income or preparatory for the work on Business Cycles. To mention only the main headings:

Other work
done by the
staff

(1) Mr. Knauth is making a tentative estimate of the National Income in 1920, on the basis of incomes received. Of course these figures are subject to revision when more complete data—especially the Income Tax returns—become available.

(2) Mr. Knauth also has in hand a report on the geographical distribution of income by States. This report after submission to the Directors, will probably be published in a separate pamphlet. Information of this character has commercial value to all business enterprises which have a wide market for their products.

(3) Mr. King has prepared the first draft of a study of annual savings in the United States, which he will revise and extend before submitting it to the Directors.

(4) Mr. King is also collecting data bearing upon average hourly output per employee in certain industries to see whether the available data make possible any definite conclusions regarding industrial efficiency in active and in dull times.

VI

I THINK it is clear from this record of the past year that the National Bureau of Economic Research is an institution that should be perpetuated. We have proved that our peculiar form of organization works well in practice. The fact that we can all agree in finding the facts concerning social issues is the best practical demonstration that any group of men have given that scientific method can be applied to the treatment of social problems. Our first publication has had a most favorable reception. We have been asked by a member of the President's Cabinet to help in the solution of a grave national issue. We have before us a program of future work not less important than the work we have already done. We are confident that we can do this work well, because we are a going concern with an efficient organization and a valuable good will.

Despite all this, our prospects for survival are not certain. Unless we secure and secure promptly a considerable addition to our income we shall be forced to shut up shop. The fundamental difficulty in raising funds for our enterprise is that we serve only the public welfare. We offer to donors no specific *quid pro quo*. Men who give us money must do so not because we promise them a business service, not because we will make out a case in favor of their views, but because they believe that social progress rests on finding and promulgating facts. Most delusions about public policy arise from ignorance of fundamental facts far more than they arise from bad reasoning or bad feeling. The

best way to combat such delusions is to ascertain the truth as accurately as possible and make it known through agencies that are impartial. To men who hold this faith the Bureau must look for the funds necessary to continue its work.

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